

INTERNATIONAL MICROCOMPUTER SOFTWARE INC /CA/
Form 10QSB
November 14, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2005**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File No. **0-15949**

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
(Name of Small business issuer in its charter)

CALIFORNIA
(State or other jurisdiction of incorporation or organization)

94-2862863
(I.R.S. Employer Identification No.)

100 ROWLAND WAY, NOVATO, CALIFORNIA
(Address of principal executive offices)

94945
(Zip code)

(415) 878-4000
Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).

YES NO

As of October 31, 2005, 29,830,877 shares of Issuer's common stock, no par value, were outstanding.

Transitional Small Business Disclosure Format: YES NO

**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
AND SUBSIDIARIES**

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PART I - FINANCIAL INFORMATION**Item 1- Condensed Consolidated Financial Statements****INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

	September 30, 2005 Unaudited	June 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$9,887	\$4,347
Available-for-sale securities	1,524	-
Trading securities	-	714
Receivables, less allowances for doubtful accounts, discounts and returns of \$437 as of September 30, 2005 and \$626 as of June 30, 2005.	1,554	773
Inventories, net	834	758
Receivables, other (related to discontinued operations)	-	2,000
Receivables, other	-	30
Other current assets	989	530
Assets related to discontinued operations	-	12,231
Total current assets	14,788	21,383
Fixed assets, net	373	377
Intangible assets		
Capitalized software, net	434	494
Domain names and brands, net	2,101	1,574
Distribution rights and proprietary plans, net	789	170
Capitalized customer lists, agreements and relationships	1,424	326
Goodwill	3,665	2,090
Trademarks	21	1
Total intangible assets	8,434	4,655
Other long term assets	8	-
Total assets	\$23,603	\$26,415
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short term debt	1,713	2,764
Trade accounts payable	1,600	2,245
Accrued and other liabilities	1,907	1,871
Liabilities related to discontinued operations	-	1,037
Deferred revenues	62	38
Total current liabilities	5,282	7,955
Long-term debt and other obligations	200	230
Total liabilities	5,482	8,185

Shareholders' equity

Common stock, no par value; 300,000,000 authorized; 29,713,760 issued and outstanding as of September 30, 2005 and 28,796,886 issued and outstanding as of June 30, 2005.

	44,839	43,663
Accumulated deficit	(27,282)	(25,331)
Accumulated other comprehensive income (loss)	564	(102)
Total shareholders' equity	18,121	18,230

Total liabilities and shareholders' equity	\$23,603	\$26,415
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See Notes to Condensed Consolidated Financial Statements

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE INCOME /
(LOSS)

(In thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,	
	2005	2004
Net revenues	\$3,965	\$3,135
Product costs	1,455	1,021
Gross margin	2,510	2,114
Costs and expenses		
Sales and marketing	1,531	1,350
General and administrative	1,425	859
Research and development	435	469
Total operating expenses	3,391	2,678
Operating loss	(881)	(564)
Other income and (expense)		
Interest and other, net	(69)	6
Realized / unrealized loss on marketable securities	(158)	(50)
Loss before income tax	(1,108)	(608)
Income tax provision	-	(5)
Loss from continuing operations	(1,108)	(613)
Income from discontinued operations, net of income tax	-	285
Gain (loss) from the sale of discontinued operations, net of income tax	(843)	53
Net loss	(\$1,951)	(\$275)
Other comprehensive income (loss)		
Unrealized gain on restricted securities	478	-
Foreign currency translation adjustments	188	(10)
Comprehensive loss	(\$1,285)	(\$285)
Basic earnings (loss) per share		
Loss from continuing operations	(\$0.04)	(\$0.02)
Income from discontinued operations, net of income tax	\$0.00	\$0.01
Income (loss) from the sale of discontinued operations, net of income tax	(\$0.03)	\$0.00
Net loss	(\$0.07)	(\$0.01)
Diluted earnings (loss) per share		
Loss from continuing operations	(\$0.04)	(\$0.02)
Income from discontinued operations, net of income tax	\$0.00	\$0.01
Income (loss) from the sale of discontinued operations, net of income tax	(\$0.03)	\$0.00
Net loss	(\$0.07)	(\$0.01)
Shares used in computing basic earnings (loss) per share	29,689	26,462

Shares used in computing diluted earnings (loss) per share	29,689	26,462
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See Notes to Condensed Consolidated Financial Statements

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INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Months ended September 30, 2005

(In thousands, except share amounts)

(Unaudited)

Common Stock

	Shares	Amount	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at July 1, 2005	28,796,886	\$43,663	(\$25,331)	(\$102)	\$18,230
Issuance of common stock related to:					
Stock options exercised	70,291	63			63
Acquisitions	826,583	1,021			1,021
Finder's fee related to acquisition	20,000	25			25
Issuance of warrants related to:					
Procurement of short-term debt		68			68
Issuance of stock options		1			1
Variable accounting adjustment		(2)			(2)
Net loss			(1,951)		(1,951)
Unrealized gain on restricted securities				478	478
Foreign currency translation adjustment, net of income tax				188	188
Balance at September 30, 2005	29,713,760	\$44,839	(\$27,282)	\$564	\$18,121

See Notes to Condensed Consolidated Financial Statements

**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

**Three months ended
September 30,
2005 2004**

Cash flows from operating activities: